

Message Text

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SUBJECT: SINGER'S PROBLEMS IN SRI LANKA

1. BACKGROUND: SINGER COMPANY, WHICH HAS TWO WHOLLY OWNED
SUBSIDIARIES IN SRI LANKA WITH A COMBINED CAPITALIZATION OF
RS. 14.8 MILLION (ABOUT \$1.7 MILLION AT
CURRENT OFFICIAL
EXCHANGE RATE), IS OLDEST AND LARGEST AMERICAN INVESTOR
IN COUNTRY. SINGER (SRI LANKA) LTD. HAS AN EXTENSIVE
DEALER NETWORK TO MARKET TREADLE OPERATED, STRAIGHT
AND ZIGZAG STITCH SEWING MACHINES PRODUCED BY SINGER
INDUSTRIES (CEYLON) LTD. THESE MACHINES ARE ASSEMBLED
LARGELY FROM SINGER PARTS IMPORTED FROM PAKISTAN WITH
A FEW MINOR COMPONENTS MANUFACTURED LOCALLY. SINGER
INDUSTRIES ALSO PRODUCES WOODEN CABINETS FOR ITS
MACHINES, AS WELL AS FOR EXPORT TO AUSTRALIA. ALTHOUGH
THE PLANT HAS CAPACITY OF 30,000 MACHINES PER YEAR,
CURRENT ANNUAL OUTPUT IS LIMITED TO 12,000 (ANNUAL
SALES RS. 21 MILLION) DUE TO GOVERNMENT OF SRI LANKA
(GSL) RESTRICTIONS ON FOREIGN EXCHANGE
FOR IMPORTATION OF PARTS. THIS SALES VOLUME REPRESENTS
ABOUT 60 PERCENT OF ALL MACHINES SOLD IN COUNTRY;
REMAINING 40 PERCENT DIVIDED AMONG THREE OTHER LOCAL
PRODUCERS (IMPORTS OF FINISHED MACHINES PROHIBITED.)
APPROXIMATELY 1,000 PEOPLE ARE EMPLOYED DIRECTLY OR
INDIRECTLY BY SINGER'S SUBSIDIARIES IN SRI LANKA.

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2. PROBLEM: IN MID-1976, GSL INVITED WORLD-WIDE TENDERS FOR SUPPLY OF ALL SEWING MACHINE COMPONENTS FOR ENTIRE DOMESTIC INDUSTRY. LOW BIDDERS WERE TWO INDIAN COMPANIES, RITA MECHANICAL WORKS FOR STRAIGHT STITCH MACHINES AT \$17 EACH AND JAY ENGINEERING WORKS (MAKERS OF USHA SEWING MACHINES WHICH ALREADY BEING ASSEMBLED BY ONE LOCAL COMPETITOR) FOR ZIGZAG MACHINES AT \$27 PER UNIT. SINGER IN PAKISTAN BID \$26 AND \$37, RESPECTIVELY. IN OCTOBER, MINISTRY OF INDUSTRIES CALLED MEETING OF FOUR LOCAL DEALERS AND TOLD THEM ALL FUTURE IMPORTS OF SEWING MACHINE PARTS MUST BE SUPPLIED BY LOW BIDDERS. ALTHOUGH FINISHED INDIAN MACHINES ARE ALMOST IDENTICAL TO SINGER'S IN EXTERIOR APPEARANCE, SINGER PROTESTED THAT INDIAN PARTS WERE OF INFERIOR QUALITY AND DURABILITY. RATHER THAN GO OUT OF BUSINESS, HOWEVER, SINGER INDUSTRIES AGREED, UNDER PROTEST, TO ASSEMBLE INDIAN MACHINES.

3. LOCAL SINGER OFFICIALS HAVE TOLD EMBASSY THAT EXISTING STOCK OF SINGER COMPONENTS WILL BE EXHAUSTED BY END OF YEAR. THEY DO NOT BELIEVE INDIAN MACHINES WILL BE UP TO SINGER STANDARDS AND WILL NOT SELL NEW MACHINES UNDER SINGER NAME. THEY WILL PROBABLY USE TRADE NAME MERRITT (ISAAC SINGER'S MIDDLE NAME) WHICH HAS BEEN USED IN OTHER COUNTRIES, BUT NEW MACHINES WILL BE MARKETING THROUGH EXISTING SINGER (SRI LANKA) DEALERS. SINGER INDUSTRIES CHAIRMAN, L. NAMASIVAYAM, HAS WRITTEN TO EMBASSY AND MINISTRY OF INDUSTRIES INDICATING SINGER WILL CONSIDER CLOSING ITS OPERATIONS IN SRI LANKA IF INDIAN MACHINES ARE REALLY SUB-STANDARD.

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